

Steering toward a New Stage by Leveraging the Unique Strengths of KOEI TECMO

HISASHI KOINUMA

Executive Vice President and Representative Director of KOEI TECMO HOLDINGS CO., LTD.,
President & COO of KOEI TECMO GAMES CO., LTD.



Achievements from new challenges in console, PC, and mobile markets

The year that ended in March 2024 (FY2023) marked a year of new challenges, though we did not achieve our expected financial results. While sales reached an all-time high, operating profit fell short of targets, which I believe is due to the results of new initiatives taking time to materialize. Reflecting on this past year, it is clear that we were able to create high-quality titles across console, PC, and mobile platforms, just as planned.

With the release of “Rise of the Ronin” for consoles, we were able to achieve success in two major challenges: delivering a AAA title and taking on an open-world project. While there are areas for improvement, particularly in CG and visuals, the game was well-received for being highly enjoyable, a quality expected of the Team NINJA brand. The insights gained from “Rise of the Ronin”—both its strengths and challenges—will serve as valuable assets for future growth.

In terms of the mobile market, we invested significant development resources in order to launch “Atelier Resleriana: Forgotten Alchemy & the Liberator of Polar Night.” This title was a collaboration between our in-house brands Gust and Team NINJA, combining expertise to deliver high-quality graphics. We are proud of the strong visual performance of the game, which has been well-received in the mobile game market. This achievement represents a key milestone that will contribute to future growth.

Fourth Medium-Term Management Plan: Building a future foundation and new IPs

The Fourth Medium-Term Management Plan (FY2025–2027) will not only involve a renewed focus on the performance targets set in the ongoing Third Medium-Term Management Plan (FY2022–2024), but also emphasize building a foundation for the future and creating new intellectual properties (IPs).

Developing IPs and titles takes time. Within the three-year period of a medium-term management plan, it is not feasible to fully develop console and PC titles, so strategies must span two plans, laying the groundwork for development. We have already started preparations for titles that will be part of the next and subsequent medium-term plans, and we aim to fully realize the potential of the titles currently under development.

Looking at the long-term horizon, further IP creation will be crucial for the next leap forward. By continuing our challenge to create new IP, we will drive future growth.

Building the future through unique, diverse game development

One of the key strengths driving the future growth of the Group is our brand system. Each brand has its own distinct characteristics as well as strengths in specific genres and fields, and we leverage these to develop

and release unique titles. Looking at the Company as a whole, our strength lies in our ability to deliver high-quality games across a diverse array of genres, much like a palette of vibrant and diverse colors. This versatility allows us to collaborate effortlessly with other companies' IPs, ultimately strengthening the Group's overall capabilities.

Creating successful large-scale titles requires both development scale and enhancement of development capabilities. Moving forward, we aim to establish a development framework that allows us to release one large-scale title each year by increasing the number of brands and expanding our capacity to develop across a wide range of genres. This fiscal year, we launched our AAA Games Studio. We will continue to evolve our brand strategy, expanding development capacity both vertically and horizontally while carefully considering the Company's overall portfolio.

Future development with diverse talent and AI

In game development, talent is paramount; it's the driving force behind the Group's growth. Our Group structure, with multiple brands and function-based divisions, allows for diverse challenges and innovations. In the gaming industry, it's common to have development teams alongside CG and sound departments all within a single studio. At KOEI TECMO, however, each brand team comprises only planners, programmers, directors, and producers, while CG, sound, and narrative functions operate as separate, specialized departments. This functional division allows CG and sound teams to join projects efficiently as needed. Development team members can focus solely on content creation and, upon completing a project, move on to new projects, where they can continue to take on fresh challenges.

This organizational structure enables our team members to stay motivated, pursue various challenges,



and strive for growth. In FY2023, we hired over 200 new employees, both fresh graduates and mid-career professionals, from both domestic and international backgrounds. With a high retention rate among employees, including those from abroad, we are committed to fostering an environment where team members from diverse nationalities can work together, inspiring one another and maintaining high motivation.

In terms of development, technologies such as generative AI have recently gained attention. As the

quality and scale of games continue to rise, so do development costs. By assigning tasks that require 24-hour operation to AI and focusing human resources on areas where only people can add value, we believe we can achieve higher-quality outcomes within the same budget. AI can play diverse roles, including debugging, translation, mid-development balancing, and handling CG resources. The division of labor between AI and human creators, allowing people to dedicate their efforts to enhancing game value and quality, represents a key innovation that we believe will drive our future competitiveness.

Next-gen management: Strengthening structure and enhancing transparency

The strength of the KOEI TECMO Group owes much to the talents and leadership of our founders, President Erikawa and Chairman Erikawa, who drove our evolution. However, to achieve further growth, we must carry forward their approaches and practices while evolving as a company.

I am currently focusing on strengthening our Group's structure to operate more cohesively as an organization. To ensure sustained growth, regardless of who is in charge, we need a system that allows us to preserve the founders' spirit and values. Having served as the president of KOEI TECMO GAMES for nearly a decade and worked alongside the founders, I have seen the company achieve consistently strong results, with no concerns about our future outlook. However, we have also relied on unspoken rules over the years, which may no longer be effective for a growing workforce with increasingly diverse values. This is why we are now working to formalize and systematize these unwritten guidelines, building an organizational structure that can support them across the Company.

Quality checks to reduce risk in an unpredictable gaming industry

The gaming industry is known for its unpredictability, with hits and misses making forecasting challenging. To reduce these risks, we have implemented targeted quality checks throughout the development process, as outlined on page 23, including regular version review meetings and quality checks to minimize potential impacts on operations. Progress is reviewed weekly in management meetings, complemented by enhanced version-specific reviews and both internal and external quality checks. Additionally, our Group company, KOEI TECMO QUALITY ASSURANCE, specializes in game quality management, providing a third-party perspective to analyze quality, hit potential, and sales projections. External partners further contribute evaluations, enabling a stringent, multi-layered approach to quality control and game assessment.

To ensure stable revenue even in years without a major hit, we are committed to our management strategy of creating new global IP, a key to stability in the high-risk gaming industry.

Achieving our vision: Aiming for a top 10 global position

The KOEI TECMO Group's vision is to become "The World's No. 1 Digital Entertainment Company." To achieve this, we aim to strengthen our core gaming business, setting our first milestone as ranking in the global top 10 in operating profit.

As the global gaming market continues to expand with a growing player base, we recognize the need to accelerate the development of high-quality titles that can compete internationally, such as "Rise of the Ronin." Alongside large AAA titles, we are also committed to exploring diverse genres with mid-tier and smaller titles, increasing the frequency of new IP with series potential.

Our goal is to consistently deliver appealing and diverse games, capturing the distinct "Japanese sensibility" that adds unique value to our creations.

Continuing growth by delivering global-scale entertainment and embracing new challenges

As the Group strives to sustain long-term growth, we view our stock price as a reflection of investor evaluation. In this context, we believe the relatively undervalued state of our stock is largely due to the progress of our Third Medium-Term Management Plan. We take the challenges identified so far seriously and are in the process of formulating our Fourth Medium-Term Management Plan, which will be implemented from FY2025. We are committed to solidifying a strong foundation for its successful execution.

Reaching our vision of becoming "The World's No. 1 Digital Entertainment Company" is a responsibility entrusted to both the current management and the next generation of leaders. Moving forward, we will continue to provide high-quality entertainment that brings joy to people around the world and keep striving for growth in new stages. We are excited to pursue new heights in growth and innovation in the KOEI TECMO Group.

